

## Message Text

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TRSE-00 OMB-01 EA-11 NEA-10 RSC-01 SS-14 NSC-10 STR-08

L-03 IO-12 CIAE-00 INR-09 NSAE-00 PA-03 USIA-12

PRS-01 OIC-04 CIEP-02 CEA-02 SIL-01 LAB-06 RSR-01

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R 261835 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0023

INFO AMEMBASSY ABIDJAN

RUESUZYLRH EMBASSY BRASILIA 0213

AMEMBASSY BOGOTA

AMCONSUL RIO DE JANEIRO

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E. O. 11652: N/A

TAGS: EGEN

SUBJECT: COFFEE: CONTACT GROUP'S DELIBERATIONS

REF: LONDON 3380

1. SUMMARY - CONTACT GROUP PACE CONTINUED TO BE SLOW ON MARCH 21 AND MORNING MARCH 22. IN AFTERNOON PROPOSAL ACCEPTED THAT RESOLVED ALL REMAINING ECONOMIC ISSUES. DURING LAST TWO DAYS, MEETING AGREED ON FORM IN WHICH EXTENSION WILL BE PROPOSED TO BOARD AND COUNCIL AND DISCUSSED INCONCLUSIVELY ADMINISTRATIVE AND FINANCIAL IMPLICATIONS ITS DECISIONS. END SUMMARY.

2. CONTACT GROUP WORKED ITS WAY SLOWLY THROUGH REMAINDER OF ECONOMIC CLAUSES OF AGREEMENT ON MARCH 21. AT OUTSET OF MEETING, A FEW SEEMINGLY SETTLED ISSUES  
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WERE REOPENED. CHAIRMAN, BY HIS REMARKS, IMPLIED THAT ARTICLE 27 STILL NOT RESOLVED AND OAMCAF REPRESENTATIVE SAID THAT HIS ATTITUDE ON ARTICLES 48 AND 49 DEPENDED ON DECISION TO BE TAKEN ON LENGTH OF EXTENSION OF MODIFIED AGREEMENT.

3. ARTICLE 50 DISCUSSED INCONCLUSIVELY, WITH PRODUCERS ARGUING THAT PARAGRAPH 2 IMPLIED INFRINGEMENT THEIR SOVEREIGNTY, WHILE US, GERMANY AND FRANCE ARGUED FOR ITS INCLUSION ON GROUNDS THAT IT IMPORTANT TO TRADE AND COULD GENERATE ADDITIONAL SUPPORT FOR NECESSARY PARLIAMENTARY ACTION ON EXTENDED AGREEMENT. WHEN ATTEMPT BY CHAIRMAN COMPROMISE THIS ISSUE FAILED, GROUP AGREED MOVE ON TO NEXT ARTICLE.

4. ARTICLE 51 DELETED, BUT ARTICLE 52 RETAINED ON COLOMBIAN INITIATIVE. US POINTED OUT THAT SAME ARGUMENT OF PRINCIPLE ADVANCED BY PRODUCERS AGAINST ARTICLE 50 SEEMED TO APPLY, BUT DID NOT PRESS POINT IN ORDER AVOID FURTHER DELAY. ARTICLE 53 DROPPED AS WAS ARTICLE 54 AFTER PROTRACTED DEBATE. COLOMBIA AND EL SALVADOR BOTH EXPRESSED STRONG OPPOSITION TO DIVERSIFICATION FUND, AND EXPRESSED BELIEF THAT ITS LIQUIDATION SHOULD BE SPECIFICALLY RECOMMENDED BY COUNCIL. BRAZIL OPPOSED CONTINUATION OF FUND, BUT THOUGHT LIQUIDATION ALREADY COVERED BY STATUTES OF FUND. GERMANY SAID IT AGREED DROPPING OF FUND, BUT WISHED COUNCIL SPECIFICALLY SUPPORT PRINCIPLE OF DIVERSIFICATION AND RECOMMEND ITS INCLUSION IN ANY RENEGOTIATED AGREEMENT. OAMCAF GAVE QUALIFIED AND OBLIQUE SUPPORT TO CONCEPT OF FUND, WHILE US SAID THAT FUND'S CONCEPT SOUND IN PRINCIPLE AT TIME IT ADOPTED.

5. STATISTICAL ARTICLES (55 AND 56) RETAINED, AGAIN AFTER SOME DEBATE. PHRASE " PRODUCTION TRENDS" IN PARAGRAPHS 1 AND 2 ADDED AT SUGGESTION EL SALVADOR. PARA 3 OF ARTICLE 57 DROPPED, BUT ARTICLES 58 AND 59 RETAINED, ALTHOUGH BOTH US AND BRAZIL EXPRESSED RESERVATIONS.

6. REMAINDER OF DAY DEVOTED TO ADMINISTRATIVE AND OPERATIONAL ARTICLES, WITH FAIRLY SPEEDY AGREEMENT LIMITED OFFICIAL USE

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REACHED ON CONSEQUENTIAL DELETIONS AND MODIFICATIONS.

HOWEVER VOTING ARTICLE (12) NOT TOUCHED, AS ALL DELEGATES RECOGNIZED IT CONTROVERSIAL.

7. MORNING OF MARCH 22 DEVOTED TO DISCUSSION OF TERM OF EXTENDED AGREEMENT AND QUESTION OF VOTING. BECAME CLEAR THAT FORMER ISSUE WAS A MAJOR ONE, WITH OAMCAF, EL SALVADOR, FRANCE AND GERMANY ALL INSISTING ON NOT MORE THAN 1 YEAR EXTENSION, WHILE COLOMBIA WITH TACIT SUPPORT FROM US CALLED FOR AT LEAST TWO YEARS. EVENTUALLY OAMCAF AND FRANCE AGREED TO MOVE TO 18 MONTHS, WITH FRENCH ADDING THAT WOULD PROPOSE DIVIDING THAT PERIOD INTO TWO PARTS, TO WIT AN 11 MONTH PERIOD DURING WHICH RENEGOTIATION HAD TO BE COMPLETED AND A 7 MONTH

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AGR-20 COME-00 TRSE-00 OMB-01 SS-14 NSC-10 STR-08 L-03

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PERIOD FOR APPROVAL OR RATIFICATION BY MEMBERS. COLOMBIA REFUSED ACCEPT THIS PROPOSAL AND EVENTUALLY GROUP AGREED TO PROPOSE A RANGE OF NOT LESS THAN 12 OR MORE THAN 24 MONTHS FOR EXTENDED AGREEMENT'S TERM.

VOTING ALSO DISCUSSED WITH BRAZIL PROPOSING A FREEZE OF EXPORTERS VOTES ON BASIS OF WHAT THEY WERE IN 1972 1972/73, WHILE FRANCE, GERMANY AND EL SALVADOR FAVORED A PROPOSAL TO BASE EXPORTERS VOTES ON MOVING THREE YEAR AVERAGE THEIR EXPORTS; I. E. COUNTERPART TO SYSTEM USED FOR IMPORTERS IN CURRENT ICA.

8. HAD BECOME CLEAR BY AFTERNOON MARCH 22 THAT BOTH PRODUCERS AND CONSUMERS PLAYING NEGOTIATING GAMES WITH EACH OTHER. PURPOSE SEEMED TO BE TO STAKE OUT POSITIONS THAT WOULD BE HELPFUL IN POSSIBLE FUTURE RENEGOTIATION. ALSO APPEARED FROM PRIVATE CONVERSATIONS THAT US QUITE ISOLATED ON KEY ARTICLE 43, WITH BOTH FRENCH AND GERMANS PREPARED GIVE SIGNIFICANTLY MORE IN THE WAY OF CONCESSIONS ON THIS ARTICLE THAN US. (CANADIANS TO LIMITED OFFICIAL USE

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THIS POINT HAD NOT SPOKEN IN MEETING SINCE THEY LACKED INSTRUCTIONS.)

9. US THEREFORE PROPOSED AT OUTSET OF AFTERNOON SESSION THAT ALL REMAINING OUTSTANDING ECONOMIC ISSUES BE SOLVED BY DELETION ARTICLES WHICH HAVE GIVEN RISE TO THEM, SPECIFICALLY ARTICLES 27, 43, 44, 48, 49 AND 50. AS CONSEQUENCE OF THIS DECISION ARTICLE 59 SHOULD ALSO BE DELETED SINCE VIRTUALLY NOTHING LEFT OVER WHICH DISPUTES COULD ARISE. HE POINTED OUT THAT DEBATE ON ALL THESE ISSUES LIKELY BE PROTRACTED, BUT NO READY SOLUTION EXISTED FOR ANY. OAMCAF OPPOSED THIS STRONGLY, WHILE BRAZIL SAID THEY COULD SUPPORT IF SUPPLY OF STATISTICS UNDER ARTICLE 55 MADE VOLUNTARY NOT COMPULSORY. FRANCE ASKED FOR INCLUSION ARTICLE 47 IN PACKAGE, WHICH READILY AGREED BY COLOMBIA AND BRAZIL. COLOMBIA AND EL SALVADOR SUPPORTED US PROPOSAL AS DID CANADA, AND AFTER BRAZIL MADE CLEAR THAT IT NOT REALLY PRESSING FOR AMENDMENT TO ARTICLE 55, CHAIRMAN ANNOUNCED THAT CONSENSUS OF MEETING WAS TO ADOPT US PROPOSAL AS MODIFIED BY FRANCE.

10. MEETING THEN TURNED TO PREAMBLE AND OBJECTIVES WHICH ALSO LED TO CONSIDERABLE DEBATE. EVENTUALLY PREAMBLE AGREED IN ITS PRESENT FORM WITH DELETION PHRASE " TO PREVENT BURDENSOME SURPLUSES" IN PARAGRAPH THREE, INSERTION OF PHRASE " IN LONG TERM" IN PARA FOUR, AND REWRITE PARA FIVE. ARTICLE I, OBJECTIVES, TO BE SIMPLIFIED AND REWRITTEN EXTENSIVELY.

11. VOTING TAKEN UP MORNING OF MARCH 23. BRAZIL REITERATED ITS PROPOSAL AND GROUND CUT OUT FROM UNDER

FRENCH AND GERMANS WHEN OAMCAF AND EL SALVADOR, WHICH  
HAD PREVIOUSLY SUPPORTED THEIR PROPOSAL, INDICATED  
THEY PREPARED GO ALONG WITH BRAZIL'S, LATTER ON CONDI-  
TION THAT HE GET SATISFACTION ON REVISION OF  
ARTICLE 69.

12. QUESTION OF SUSPENSION OF ARTICLES AS CONTRASTED  
TO THEIR DELETION THEN SURFACED AGAIN ( PARA 4 REFTEL)  
THIS TIME AT INITIATIVE OF OAMCAF. PROBLEM WAS PRE-  
SENTED AS ONE OF GIVING TO COUNCIL POWER TO ACT IN EVENT  
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OF DISTURBANCES IN MARKET. BY SUSPENDING RATHER THAN  
DELETING ARTICLES, OAMCAF SAID COUNCIL WOULD HAVE POWER

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ACT QUICKLY. US POINTED OUT THAT GROUP HAD CONSISTENTLY TALKED IN TERMS OF DELETION OF ARTICLES NOT THEIR SUSPENSION. OBVIOUSLY DIFFERENT CONSIDERATIONS WOULD ARISE IF DELEGATES HAD SPOKEN OF SUSPENSION RATHER THAN DELETION. US STRONGLY OPPOSED ANY CONSIDERATION OF SUSPENSION, SINCE IT HIGHLY DOUBTFUL IF CONGRESS WOULD BE PREPARED CONSIDER SUCH AN ARRANGEMENT. EL SALVADOR SAID IT HAD CONSTITUTIONAL PROBLEMS WITH SUSPENSION, WHILE COLOMBIA AND CANADA OPPOSED ON GROUNDS THAT SUSPENSION OUTSIDE TERMS OF REFERENCE OF GROUP. BRAZIL GAVE OAMCAF LUKEWARM SUPPORT, AND FRANCE SUPPORTED " STRONGLY". ( FYI GALLOT TOLD US EARLIER THAT HE HAD RECEIVED TELEPHONE CALL FROM SAWADOGO ASKING TO SUPPORT PRINCIPLE OF SUSPENSION; HE HAD REFUSED DO SO ON GROUNDS THAT SAWADOGO' S OWN REPRESENTATIVE HADN' T SPOKEN ON ISSUE. END FYI) GERMANY SAID THEY NEUTRAL. CHAIRMAN THEN RULED THAT PROPOSAL TO CONSIDER SUSPENSION DID NOT HAVE MAJORITY SUPPORT; HENCE WAS DEFEATED.

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13. FINAL ICA ISSUE WAS QUESTION OF VOTING PROCEDURE FOR RECOMMENDING APPROVAL OF POSSIBLE FUTURE RENEGOTI-UR CALCULATION, NORWAY IS NOW THE ONLY ODD MAN OUT. RUMSFELD

SECRET

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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